

ITEM FOR FINANCE COMMITTEE

**HEAD 156 – GOVERNMENT SECRETARIAT :
EDUCATION AND MANPOWER BUREAU**

Subhead 000 Operational expenses

Subhead 700 General non-recurrent

HEAD 173 – STUDENT FINANCIAL ASSISTANCE AGENCY

Subhead 228 Student financial assistance

Members are invited to approve the following –

- (a) introduction of a Pre-primary Education Voucher Scheme to provide direct fee subsidy for parents to meet towards school fees for pre-primary education in eligible kindergartens;
- (b) consequential to (a) above, modifications and transitional arrangements under the Kindergarten and Child Care Centre Subsidy Scheme and the Kindergarten and Child Care Centre Fee Remission Scheme; and
- (c) a non-recurrent commitment of \$70 million for the provision of a one-off cash grant to all kindergartens to support school development.

PROBLEM

Pre-primary education lays the foundation for life-long learning. We need to invest more resources to bring about further improvement in the quality of pre-primary education.

/PROPOSAL

PROPOSAL

2. The Secretary for Education and Manpower (SEM) proposes to –
- (a) introduce a Pre-primary Education Voucher Scheme (PEVS) with effect from the 2007/08 school year to strengthen the quality of pre-primary education by providing direct fee subsidy for parents/legal guardians/registered custodians (hereafter collectively referred to as ‘parents’) to meet towards school fees for pre-primary education of their children aged above two years and eight months, on the basis of the following principles –
- (i) subject to (b) below, only children attending local non-profit-making (NPM) kindergartens or relevant classes in local NPM kindergarten-cum-child care centres (hereafter collectively referred to as ‘KGs’) are eligible to join the proposed PEVS;
 - (ii) the voucher should only be redeemed by KGs charging a school fee not exceeding \$24,000 per student per annum (pspa) for a half-day place or not exceeding \$48,000 pspa for a whole-day place¹;
 - (iii) the KGs should, at the same time, meet all stipulated disclosure and transparency requirements;
 - (iv) all KGs are subject to a quality assurance mechanism so that starting from the 2012/13 school year only KGs meeting the prescribed standards may redeem the voucher; and
 - (v) all KGs should enjoy full discretion in determining teacher salaries, subject to market forces;

/(b)

¹ A KG operating both half-day and whole-day classes would have to meet both school fee thresholds in order to be eligible for redeeming voucher under the proposed PEVS.

- (b) provide a transitional period of three years until the end of the 2009/10 school year for private independent² (PI) KGs satisfying all prescribed requirements of eligible NPM KGs save for the NPM status to redeem the vouchers from parents whose children are enrolled at various study levels in such PI KGs in the 2007/08 school year throughout these children's education in the same PI KGs;
- (c) provide a training subsidy, as subsumed in the voucher amount or on its own as the case may be, to serving KG principals and teachers to upgrade their professional qualifications;
- (d) make modifications and transitional arrangements under the Kindergarten and Child Care Centre Subsidy Scheme (KCSS) and Kindergarten and Child Care Centre Fee Remission Scheme (KCFRS) as a consequence of the introduction of the proposed PEVS; and
- (e) create a new non-recurrent commitment of \$70 million to provide a one-off grant to all KGs in the 2006/07 school year to support school development.

JUSTIFICATION

The Pre-primary Education Voucher Scheme (PEVS)

3. Government investment in pre-primary education makes up about 2.4% of the total recurrent education expenditure in 2005-06. Given the positive impact of pre-primary education on children's development, we consider it appropriate to invest more in pre-primary education. Our vision is for all children of the relevant age to receive affordable and quality pre-primary education.

4. The present proposal is to increase the Government's investment in pre-primary education so as to alleviate the financial burden on eligible parents, upgrade the professional qualifications of KG principals and teachers and improve the facilities of eligible KGs. By providing direct fee subsidy to parents in the form of voucher, we wish to preserve the market responsiveness of the sector and to enhance quality at the same time.

5. The proposed PEVS in the context of Hong Kong has the following characteristics –

/(a)

² All KGs in Hong Kong are privately run, independent of the Government. The term "private independent KGs" is used here to refer to KGs which do not belong to the non-profit-making or non-profit-distributing category.

- (a) it should keep wide eligibility but should not be regarded as an entitlement, as under the current public policy pre-primary education is not compulsory;
- (b) it should operate in a wholly private market, but should restrict eligibility to NPM³ KGs in line with the existing policy so that all government funding will be invested in the students;
- (c) it should be tied to a quality assurance mechanism which ensures that only those meeting the prescribed standards can enjoy public funding;
- (d) it is non-means-tested and will allow the vast majority of parents to access a large number of KGs. Parents will have to pay for the difference in case the tuition fee exceeds the voucher value; and
- (e) it requires enhanced transparency of KGs' operations.

Eligibility

6. We propose that every child, aged at or above two years and eight months⁴ with right of abode, right to land or valid permission to remain without any condition of stay in Hong Kong, and attending a local KG which is NPM and charges a tuition fee at a level not exceeding 1.5 times the ultimate subsidy amount of \$16,000 pspa, i.e. \$24,000 pspa for a half-day place⁵ in KGs (or \$48,000 for a whole-day place in KGs¹) should be eligible for the voucher, to be redeemed by the KG which he or she is attending.

Voucher value

7. Starting from the 2007/08 school year, each eligible child will be granted a voucher at a face value of \$13,000 pspa, progressively increasing to \$16,000 pspa, to cover the anticipated salary increment and qualification creep of

/teachers

³ NPM KGs may budget for a margin (up to 5% of expenditure) in their school fees when seeking approval of fee revision to meet cash flow requirements, but the margin must all be re-invested in education.

⁴ This is to tie in with the minimum age for admission to primary one, which is five years and eight months.

⁵ From the educational perspective, we consider that half-day schooling will suffice at the pre-primary level. Hence, we have set the proposed voucher value under the proposed PEVS at such level that should be sufficient to cover the fee of quality half-day KG classes. Families with financial and social needs for whole-day classes in KGs may apply for fee remission under the KCFRS.

Encl. 1

teachers as well as increased cost of KGs for operating enhanced facilities. In determining the voucher value, we seek to allocate public funds to where they are most needed, and where they can make the most impact. A schedule of the voucher value over the next five years is attached at Enclosure 1.

Professional upgrading

8. The value of the voucher aims at providing fee subsidy for parents ranging from \$10,000 pspa in the 2007/08 school year to a full-value of \$16,000 in the 2011/12 school year. KGs are expected to spend the balance of the voucher on professional upgrading of teachers and principals, including reimbursement of course fees, appointment of supply teachers to substitute for teachers on training course, or provision of school-based professional development programmes. The unspent balance as at the end of the 2011/12 school year would be clawed back. Serving KG teachers will be expected to obtain the Certificate in Early Childhood Education (ECE) (i.e. C(ECE) qualification) within five years by the 2011/12 school year. All serving KG principals will be encouraged to obtain a Bachelor in Education in ECE qualification. KGs will have enhanced flexibility and capacity to adjust salaries commensurate with enhanced professional upgrading.

9. To encourage teachers and principals working in PI or NPM KGs not joining or not eligible for the proposed PEVS also to upgrade themselves, these teachers and principals may, until the end of the 2011/12 school year, claim reimbursement for up to 50% of the fees for one approved ECE diploma or degree course, capped at \$60,000. As for KGs eligible for the proposed PEVS⁶, they should submit a staff development plan updated annually to EMB indicating the scheduled time for the professional upgrading of their teachers and principals. Their teachers and principals may receive no less than the same amount of course fee reimbursement for one approved ECE diploma or degree course as teachers and principals of non-eligible KGs. This will ensure all serving teachers and principals have the same incentive and opportunity to attain the enhanced qualifications by the end of the 2011/12 school year.

Disclosure/transparency requirements

10. KGs wishing to take advantage of the proposed PEVS will be required to enhance transparency of their operations by disclosing in the KG profiles, the first of which is to be published in early 2007, key operational details, including the number, qualification and salary range of teachers, student enrolment, school facilities and activities, the curriculum, fees (including any extra charges which are not compulsory) and other financial data as required by SEM. The profiles will be available to parents to enable them to make better informed choices of KGs.

/Measures

⁶ Including PI KGs allowed to benefit from the proposed PEVS during the transitional period up to the end of the 2009/10 school year.

Measures against abuse

11. In view of the substantial additional investment in pre-primary education, we consider it necessary to guard against possible abuse in the design of the proposed PEVS and to ensure that expenditure of KGs should basically be devoted to supporting teaching and learning activities. A balance, however, has to be taken to avoid unnecessary regulatory controls which may stifle innovations in the pre-primary education sector. The proposed set of control measures for the PEVS is set out in Enclosure 2. SEM will review the implementation of the proposed PEVS in 2011-12.

Encl. 2

Quality assurance

12. By the beginning of the 2012/13 school year, only local NPM KGs meeting the prescribed standards may redeem the voucher. In cases where a NPM KG is found to be not operating up to standard, the existing students will continue to receive the voucher until they leave the KG. New students who choose to enroll in that KG will not be eligible for the voucher until the KG has improved to an acceptable standard.

Teacher salaries

13. We are of the view that all KGs should enjoy full discretion in determining salaries for teachers and principals, subject to market forces. Upon introduction of the proposed PEVS, there will be no stipulated salary scales or levels for KG teachers or principals.

Transitional Arrangements***Students of PI KGs***

14. To address parents' concern that they might encounter difficulty in identifying an eligible NPM KG for their children in the 2007/08 school year or they might have already enrolled their children in a PI KG, we would put in place transitional arrangements for students of PI KGs, provided that the PI KGs they attend could satisfy all prescribed requirements of eligible NPM KGs save for the NPM status. To provide continuity of KG education, parents of children enrolled in these PI KGs in the 2007/08 school year will be allowed to enjoy the voucher until their children's completion of pre-primary education in the same PI KGs (i.e. the end of the 2007/08 school year for those enrolled in Kindergarten 3 in the 2007/08 school year, the end of the 2008/09 school year for those enrolled in Kindergarten 2 in the 2007/08 school year and the end of the 2009/10 school year for those enrolled in Kindergarten 1 in the 2007/08 school year).

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15. To facilitate parents to make informed choice, all transparency arrangements required of eligible NPM KGs will apply equally to such PI KGs during the three-year transitional period. The condition that a local KG (no matter whether PI or NPM) must charge a tuition fee at a level not exceeding \$24,000 pspa for a half-day place (or \$48,000 pspa for a whole-day place¹) to be eligible to redeem the voucher will continue to hold.

Kindergarten and Child Care Centre Subsidy Scheme (KCSS)

16. As approved by the Finance Committee (FC) vide FCR(2005-06)23 dated 24 June 2005 on harmonisation of pre-primary services, the KCSS provides subsidy to eligible KGs to encourage them to enhance the qualifications of their teaching force by employing more qualified KG teachers (QKTs) without having to increase their fees substantially. The subsidy rate for eligible KGs under the KCSS is \$30,018 per group of 15 KG students per annum or \$3,002 per capita for part thereof as at the 2006/07 school year. With the introduction of the proposed PEVS, and subject to paragraph 17 below, the KCSS will no longer apply to KGs.

17. The existing KCSS will continue for operators providing services to children under the age of three in day crèches, day nurseries as well as the relevant classes in kindergarten-cum-child care centres. Furthermore, we propose to continue the KCSS for eligible local NPM KGs for a transitional period of one year (i.e. in the 2007/08 school year only) if they are not ready to join the proposed PEVS due to specific reasons (for instance, because they are not yet ready to meet all the relevant transparency requirements including publication of all related school details in the 2007/08 school year). To better reflect its scope after introduction of the proposed PEVS, the KCSS will be renamed as the “Child Care Centre Subsidy Scheme” starting from the 2008/09 school year.

Reimbursement of Rents, Rates and Government Rents (RRRG)

18. At present, NPM KGs may apply to EMB for reimbursement of rents, rates, and government rents. Due to wide variation of expenditure on rents, rates and government rents among KGs located in different types of accommodation in different geographical areas, the reimbursement scheme will continue to operate in accordance with prevailing policy which we will review from time to time. We will explore the feasibility of subsuming the amount for rents, rates and government rents into the voucher value after the 2011/12 school year, or sooner if practicable.

/Kindergarten

Kindergarten and Child Care Centre Fee Remission Scheme (KCFRS)

19. At present, needy students may receive assistance under the KCFRS in the form of fee remission for pre-primary education. The actual level of assistance to be received by parents is determined by a means test based on the Adjusted Family Income (AFI) formula that is also applicable to other means-tested student financial assistance schemes. KCFRS provides three levels of assistance, i.e. 100%, 75% or 50% of the maximum level of assistance.

20. With the introduction of the proposed PEVS, the KCFRS will be realigned to confine its eligibility to –

- (a) needy parents with children above the age of two years and eight months attending whole-day KG classes due to “social need” – they will be provided with remission of top-up fee for attending whole-day classes as compared with half-day classes. The actual fee remission will be part of or the entire amount of the actual fee (before deducting the amount of the voucher dedicated towards fee subsidy) depending on the level of assistance assessed using the AFI formula (subject to the fee ceiling for whole-day class at \$25,400 pspa⁷), minus the voucher value dedicated towards fee subsidy for that school year, plus subsidy for meal charges; and
- (b) needy parents with children attending day crèches, day nurseries or relevant classes in kindergarten-cum-child care centres who are not covered under the proposed PEVS – they will continue to receive fee remission under the KCFRS. Other existing arrangement for this group of children would remain unchanged.

Eligibility of parents under KCFRS will continue to be subject to assessment against existing terms of the scheme.

21. On consideration that no student should be worse off after the introduction of the proposed PEVS, we propose that transitional arrangement should be provided for needy parents with children from the age of two years and eight months attending half-day KG classes during the period from the 2007/08 school year to the end of the 2010/11 school year. The fee ceiling under the KCFRS will be increased to \$16,000 pspa in the 2007/08 school year and remain at this

/level

⁷ Exclusive of remission of meal charges at a maximum of \$400 per month.

level until the end of the 2010/11 school year. In other words, the actual fee remission under the KCFRS will be part of or the entire amount of the actual fee (before deducting the amount of the voucher dedicated towards fee subsidy) depending on the level of assistance assessed using the AFI formula (subject to the fee ceiling for half-day class at \$16,000 pspa), minus the voucher value dedicated towards fee subsidy for that school year. The transitional arrangement will cease in the 2011/12 school year when the voucher value will be increased to \$16,000 pspa and fully dedicated towards fee subsidy. A schedule of the maximum assistance level is set out in Enclosure 3.

Encl. 3

22. We will ensure that needy students would have available sufficient KG places within the proposed fee remission ceilings. Consistent with the existing KCFRS, full grant beneficiaries who attend more expensive KGs will have to top up the school fees with their own funds. Save for the transitional arrangements, we do not propose to introduce any government-funded fee remission scheme to cover the top-up school fees beyond the voucher value.

23. To align with the proposed PEVS, students who choose to attend PI KGs⁸ or NPM KGs which are not eligible under the proposed PEVS will no longer be eligible for fee remission under the KCFRS with effect from the 2007/08 school year. For existing KCFRS beneficiaries currently attending PI KGs or NPM KGs which are not eligible under the proposed PEVS, we shall apply the “no worse off” principle and provide for transitional arrangement so that they will continue to receive fee assistance until their completion of pre-primary education in the same KG (subject to their meeting the eligibility criteria of the KCFRS in a continuous manner).

24. Similarly, for existing KCFRS beneficiaries⁹ currently receiving fee remission above the proposed fee remission ceiling, we shall again apply the “no worse off” principle and provide for transitional arrangement so that they will continue to receive no less fee assistance at higher level of study until their completion of pre-primary education in the same KG (subject to their meeting the eligibility criteria of the KCFRS in a continuous manner).

/Arrangement

⁸ This does not refer to students enrolled in PI KGs satisfying all prescribed requirements of eligible NPM KGs save for the NPM status for the proposed PEVS in the 2007/08 school year. As transitional arrangement, KCFRS will cover needy students of these PI KGs, including those enrolled in the 2007/08 school year, until the end of the 2009/10 school year on the same basis as for students of eligible NPM KGs.

⁹ This includes needy students enrolled as of the 2007/08 school year to eligible KGs which are affected by school fee increase solely due to cessation of the KCSS as approved by EMB.

Arrangement for Recipients of the Comprehensive Social Security Assistance Scheme (CSSA)

25. At present, children under the Comprehensive Social Security Assistance (CSSA) Scheme are given a special grant to cover KG fees. As we need to explore with the Social Welfare Department (SWD) whether and how to extend the proposed PEVS to cover children on CSSA, we will continue the existing arrangement for a maximum of two years until end of the 2008/09 school year. Meanwhile, in line with existing practice, the corresponding grants for KG fees under the CSSA Scheme will be capped at the same ceiling of fee remission of the KCFRS, and the same set of transitional arrangements available to beneficiaries under the revamped KCFRS would apply to children on CSSA to ensure that they would not be worse off.

Other support measures on pre-primary education

26. In parallel with the introduction of the proposed PEVS, EMB will arrange diversified training opportunities for KG principals and teachers for professional upgrading, strengthen its school-based professional and developmental support and enhance the quality assurance mechanism for improvement.

School Development Grant for KGs

27. The provision of facilities in a KG, including equipment and learning resources, also has a bearing on the quality of pre-primary education. To help improve the facilities and resources of KGs, we propose to provide a one-off school development grant for all KGs in the 2006/07 school year for acquiring more books, teaching aids, computers and other teaching resources. The amount of grant per student will be \$500, capped at \$135,000 per KG.

Facilitation Grant

28. As a positive step to encourage PI KGs that could satisfy all prescribed requirements of eligible NPM KGs save for the NPM status to operate on a NPM basis early and benefit from the proposed PEVS, we will provide them with a one-off facilitation grant if they apply for reimbursement by August 2007. The grant will be capped at \$30,000 per PI KG and provided on a reimbursement basis for meeting necessary legal and accounting/auditing costs incurred in the conversion.

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FINANCIAL IMPLICATIONS

29. The introduction of the proposed PEVS, rationalisation of the existing subsidy schemes for operators and parents, and the implementation of other supporting measures will lead to a net additional recurrent expenditure of about \$2 billion per annum upon full implementation of the proposed PEVS in the 2011/12 school year (assuming that about 90% of all children in the relevant age cohorts come forward for a voucher¹⁰), in addition to the recurrent expenditure of about \$1.1 billion per annum on existing subsidy schemes for the pre-primary education sector. The additional recurrent expenditure includes staff cost of about \$23 million per annum for an additional 50 non-directorate civil service posts in EMB and the Student Financial Assistance Agency (SFAA) to implement the proposed PEVS and other support measures for KGs. Details of the additional recurrent expenditure by school years are shown in Enclosure 4.

Encl. 4

30. With the above additional recurrent expenditure, the share of expenditure on pre-primary education out of total recurrent expenditure on education will increase from about 2.4% to about 6.3%. The actual expenditure will depend on various factors including change in student population, choice of parents and response of KG operators. Subject to Members' approval of the proposal, we shall earmark sufficient provision and increase the ceiling placed on the total notional annual mid-point salary value of non-directorate posts in the permanent establishment of EMB and SFAA for the additional civil service posts in the context of the annual Estimates to meet the funding and staffing requirements in the relevant financial years. We will refine our financial requirements in the light of the operational experience.

31. If, following examination with SWD in the course of the next two years, we decide to extend the proposed PEVS to cover children on CSSA, there will be consequential reduction of the funding requirement for KG fee assistance under the CSSA. We will have a clearer idea of the amount involved after the review.

32. For the one-off cash grant for school development, the amount of grant per student will be \$500, capped at \$135,000 per KG. Based on the actual profile of all KGs in Hong Kong, we estimate that the total expenditure is about \$70 million. Subject to Members' approval, we shall create a non-recurrent commitment of \$70 million for the purpose under Head 156 Government Secretariat : Education and Manpower Bureau Subhead 700 General non-recurrent in 2006-07.

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¹⁰ We estimate that an additional provision of about \$300 million would be required in the unlikely event that 100% of the children in the relevant age cohorts come forward for a voucher.

33. For the one-off facilitation grant for eligible PI KGs to help them convert to NPM status, the amount of grant will be capped at \$30,000 per KG. Assuming that about 150 PI KGs would apply for the grant, we estimate that the total expenditure is about \$5 million. We shall create, under delegated authority, a non-recurrent commitment of \$5 million under Head 156 Government Secretariat : Education and Manpower Bureau Subhead 700 General non-recurrent. We will earmark sufficient funding to meet the cash flow requirements for the relevant financial years for this non-recurrent commitment.

34. To support the operation of the proposed PEVS, realign existing subsidy schemes and implement other relevant support measures, EMB and SFAA will seek the necessary funds (in the region of about \$8 million) in the normal manner for enhancing their computer systems.

PUBLIC CONSULTATION

35. Since September 2005, EMB has taken the initiative to engage the key stakeholders of the KG sector in continuous dialogue on the future development of pre-primary education in Hong Kong. The KG operators and public generally welcomed the Government's increased investment in the pre-primary education sector. We briefed the Legislative Council (LegCo) Panel on Education on 19 October, and 13 and 21 November 2006 on the proposals. At the meeting of 13 November 2006, Members of the Panel and the deputations expressed general support to increase investment in pre-primary education. Some Members expressed concerns about confining the eligibility for the proposed PEVS to NPM KGs charging an annual tuition fee not exceeding \$24,000 pspa for a half-day place or \$48,000 pspa for a whole-day place, making no provision for a recommended salary scale for KG teachers and principals, and not covering children aged two to three. In view of the concerns expressed, the Panel considered that there was a need for a special meeting to further discuss the matter.

36. To address parents' concern, the Administration proposed transitional arrangements which allow the use of voucher by parents of children enrolled in eligible PI KGs in the 2007/08 school year to provide continuity of KG education for these children. The Administration also introduced the proposed one-off facilitation grant with a view to encouraging these PI KGs to convert to NPM status to be eligible for the proposed PEVS. The details of the transitional arrangements and the one-off facilitation grant have been set out in this paper.

37. The Panel convened another meeting on 21 November 2006 to further discuss the proposal. Some Members and deputations expressed concerns about the absence of stipulated salary scales for KG teachers and principals. Some called on the extension of the proposed PEVS to cover whole-day classes and children aged two to three. After the discussion of the meeting, Members of the Panel raised no objection to SEM submitting the funding proposal for FC's consideration but requested SEM to further expound in the submission to the FC the rationale of the improvement measures to respond to the concern raised.

38. EMB met with the major KG organisations subsequently in late November and early December 2006 to further listen to their views on the introduction of the proposed PEVS. Most KG organisations indicated support to the five basic principles in subsidising the pre-primary sector as set out in paragraph 2 of this paper, and the Government's package for education vouchers in totality for implementation in the 2007/08 school year. However, some PI KGs demanded the extension of the transitional period to five years and inclusion of PI KGs in the proposed PEVS. Having taken into full consideration the interests of the majority of parents and students and society at large, and with the support of Members of the LegCo Panel on Education and the major KG organisations, SEM has decided to submit this proposal for FC's funding approval.

BACKGROUND

39. In the 2006-07 Policy Address, the Chief Executive announced a major financial commitment to further strengthen the quality of pre-primary education. The Government will provide fee assistance to parents in the form of an "education voucher" and will rationalise existing fee assistance schemes starting from the 2007/08 school year.

Student enrolment in kindergartens

40. As of September 2005, a total of 149 141 students were enrolled in a total of 1 031 KGs¹¹, of whom about 80% were enrolled in half-day sessions and about 20% in whole-day sessions. The preliminary distribution of KGs and students is as follows –

/Types

¹¹ Position as of September 2006.

Types of KGs	Number of KGs	Student enrolment	Percentage of students (%)
(A) Local			
NPM (A1)	712	108 805	73%
PI (A2)	249	34 443	23%
<i>Subtotal (A)=(A1)+(A2)</i>	<i>961</i>	<i>143 248</i>	<i>96%</i>
(B) International			
NPM (B1)	26	2 800	2%
PI (B2)	44	3 093	2%
<i>Subtotal (B)=(B1)+(B2)</i>	<i>70</i>	<i>5 893</i>	<i>4%</i>
(C) All KGs (C)=(A)+(B)	1 031	149 141	100%

Kindergarten principals and teachers

41. The entry qualifications of new principals and new teachers have been raised to C(ECE) and QKT since September 2002 and September 2003 respectively. Effective from the 2004/05 school year, KGs are required to employ 100% QKTs, at a teacher-to-student ratio of 1:15.

Education and Manpower Bureau
December 2006

Schedule of the Voucher Value

A schedule of voucher value, based on money of the day, with breakdown of usage is set out below-

School Year	Voucher value	Amount of the voucher dedicated towards fee subsidy	Amount of the voucher dedicated towards teacher development¹²
	(\$ pspa)	(\$ pspa)	(\$ pspa)
2007/08	13,000	10,000	3,000
2008/09	14,000	11,000	3,000
2009/10	14,000	12,000	2,000
2010/11	16,000	14,000	2,000
2011/12	16,000	16,000	0

¹² For illustration, a KG with a total enrolment of 180 students and a team of 13 teachers (including 1 principal) will have about \$1.8 million for teacher development across the years. The funds may be used to reimburse course fees, appoint supply teachers to substitute for teachers on training course or provide school-based professional development programmes.

**Mode of operation and control of the
Pre-primary Education Voucher Scheme**

Under the proposed PEVS, each eligible child will receive an eligibility certificate which will be valid for one to three years depending on the age and the study level of the child covering Kindergarten 1, 2 and 3 education. Based on the eligibility certificate of the students admitted, the KG concerned can redeem the vouchers on a regular basis. There will not be payment in cash to a child/parent or retrospective redemption of a voucher. Children with genuine need to change school during the school term will be dealt with separately. We will review and modify the operational arrangements as and when necessary in the light of the operational experience.

2. In view of the huge investment involved, it is necessary to guard against possible abuse in the design of the proposed PEVS. Safeguards against possible abuse will be included as conditions in the eligibility certificate for parents and the agreement with the eligible KGs. Parents and KGs will be clearly informed of their rights and responsibilities before the scheme is implemented. For example, we will require parents applying for the voucher to give consent for EMB to access personal data kept in other government departments. We will also require KGs and parents to sign an undertaking such that they must inform EMB within a specified timeframe if a child drops out of a KG or changes to another KG. KGs will be required to disclose information as required by EMB from time to time.

3. On the other hand, we wish to avoid unnecessary regulatory controls which may stifle innovations in the pre-primary education sector. We do not intend to put KGs under full government subvention or to change the present system whereby KGs are operated by the private sector. Since government funds are not channeled through subvention to KGs but are provided as direct subsidy to parents, KGs under the proposed PEVS will not be considered as subvented organisations. We shall only promulgate best practices for reference of KGs under the proposed PEVS but will not impose the standard requirements for subvented organisations in their use of public funds (such as those relating to the procurement of goods and services). We shall introduce other safeguards, such as surprise headcount, examination of annual audited accounts, risk-based audit inspection, quality assurance and publication of KG profiles. If any fraudulent practices are substantiated, the KG concerned and its school managers will be de-registered and may be prosecuted. We will also reserve the right to exclude a new KG established by school managers with a track record of fraudulence from the proposed PEVS.

4. Under the Education Ordinance (Cap. 279), all KGs have to submit fee revision applications for approval by EMB subject to, among other things, appropriateness of the number, salary level and qualifications of teachers and principals, as well as the reasonableness of the number of students to be enrolled.

5. Consistent with existing practices, NPM KGs under the proposed PEVS will be allowed to budget for a margin (up to 5% of expenditure) in their school fees when seeking approval of fee revision. Surplus accumulated in excess of a ceiling will be, subject to the approval of EMB, factored in the consideration of applications for fee increase. This will discourage KGs from charging excessive fees or accumulating too much surplus which may otherwise be put to other productive uses.

6. Expenditure of KGs under the proposed PEVS should be basically devoted to supporting teaching and learning activities. To uphold this principle, we will issue broad guidelines on disallowed expenditure (for instance, transfer of funds to the school sponsoring body). As salaries represent the bulk of expenditure of KGs, for greater transparency, KGs under the proposed PEVS will be required to disclose the staff salary range in the KG profile as well as in the schedules certified by auditors to be submitted to EMB.

**Schedule of Maximum Assistance Level
under the Kindergarten and Child Care Centre Fee Remission Scheme**

A schedule of maximum assistance level for half-day KG classes under the KCFRS is as follows –

School Year	Maximum fee assistance under KCFRS before deducting the amount of the voucher dedicated towards fee subsidy	Amount of the voucher dedicated towards fee subsidy	Maximum fee assistance under KCFRS with voucher
	(\$ pspa)	(\$ pspa)	(\$ pspa)
2007/08	16,000	10,000	6,000
2008/09	16,000	11,000	5,000
2009/10	16,000	12,000	4,000
2010/11	16,000	14,000	2,000
2011/12	16,000	16,000	0

Enclosure 4 to FCR(2006-07)29

Details of Additional Recurrent Expenditure

School Year	2007/08 \$m	2008/09 \$m	2009/10 \$m	2010/11 \$m	2011/12 \$m
Redemption of voucher ⁽¹⁾	1,973	2,164	2,193	2,579	2,574
RRRG for local PI KGs switching to NPM operations	26	26	26	26	26
Subsidy for KCFRS under the proposed PEVS	320	279	208	170	124
Offset against the current expenditure on KCSS for children aged above three	(184)	(185)	(186)	(187)	(187)
Offset against the current expenditure on KCFRS for children aged above three	(735)	(692)	(687)	(692)	(689)
Sub-total	1,400	1,592	1,554	1,896	1,848
Professional upgrading and quality assurance, etc.	33	59	80	80	80
Staff cost ⁽²⁾	18	23	23	23	23
Total	1,451	1,674	1,657	1,999	1,951

Note

- (1) Assuming that 90% of the children in the relevant age cohorts would come forward to apply for and benefit from the proposed PEVS.
- (2) The implementation of the proposed PEVS and other support measures for KGs requires a total of 50 additional non-directorate civil service posts in EMB and SFAA.
